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ELECTRICITY GUIDE

Maine Public Advocate Office

Volume 11 — November 2005

The Energy Picture: How Does it Affect Electricity Rates?

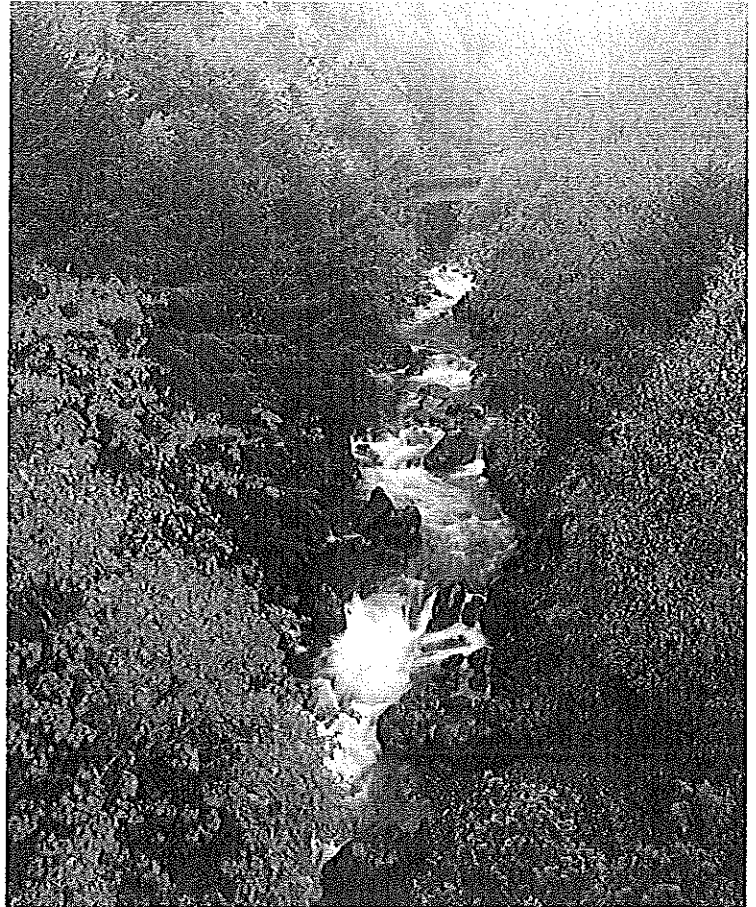
Since the recent hurricanes, it would be hard to find anyone in Maine who is unaware of the increased prices for gasoline, heating oil and propane. But what do these upheavals mean for electricity prices here? The short answer is that we will see an increase in standard offer (supply) rates beginning next March.

As we have stated in many past issues, CMP, Bangor Hydro (BHE) and other utilities no longer generate electricity, they only deliver it. Since the increases in fuel prices do not greatly affect the cost of the utilities' poles, wires, meters and employees, we do not expect an increase in delivery rates. However, the generation of electricity is now unregulated and the market price for generation/supply in New England is set by the cost of natural gas and oil used in many of the region's power plants. So, the cost to make electricity has risen dramatically. Massachusetts Electric Company recently received a 27.5% rate increase from regulators. Another Massachusetts utility (Unitil) is seeking a 31% increase. Standard offer customers in Maine are

insulated from these market related increases for the time being

since the price of supply was set in a PUC-sponsored auction last year. However, the PUC will soon be seeking new bids for standard offer supply to affect rates in March. We do not yet know how much rates will increase at that time.

There is somewhat of a silver lining. In part due to a proposal made by our office, the standard offer auction that occurred last year, leading to our current rates, was structured differently than before. Rather than seek supply for all customers for a full year, customer load for CMP and BHE customers was divided into thirds. One third, at a certain price, will last three years. Another third, at another price, will last two years. The remaining third is what will be replaced with this year's auction. This is good news because the rate you see on your bill is the average of these three prices. So, rather than replacing the entire standard offer with a new much higher rate, only one third will be replaced and the lower prices of the remaining two thirds will serve to soften the blow of the higher price that will almost surely result from this year's auction.



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Solar Rebates

The Maine Legislature recently enacted a law that provides cash rebates to people who install solar panels (either photovoltaic or solar thermal) at their home or business. The rebates cover only a portion of the cost and the total amount available is limited. Rebates are only available to those who use state-certified technicians for the work. A list of these contractors is available from the Maine State Energy Program at 287-3349, or on the web at: <http://www.maine.gov/msep/>. There is also a list of Frequently Asked Questions (FAQs) about the Solar Program at this site.

If you are considering the addition of solar panels to your home or business, we strongly urge you to read the recently enacted PUC Rule, Chapter 930. You may obtain this from the Commission at 287-3831. It should be on the Commission website in the near future. <http://www.maine.gov/mpuc>. This Rule states that "owners and tenants of residential or commercial properties located within Maine who are Maine residents are entitled to rebates for qualified solar energy systems installed on those properties". Only systems installed after July 1, 2005 will qualify, and the property must remain connected to the electric grid.

Rebate amounts available:

For photovoltaic systems: \$3/watt for the first 2000 watts, and \$1/watt for the next 1000 watts.

For a 3000 watt system, the rebate would thus be \$7000.

For solar thermal systems: 25% of system costs or \$1,250, whichever is less.

The budget for these rebates comes from assessments on electric utilities. This budget is limited, and rebates are awarded based upon the date of installation – first come, first served. If you qualify but funds run out this year, you will remain in line for the next year, but there is always a possibility that the Legislature will repeal the program.

Guest column: *Beth Nagusky, Director, Maine Office of Energy Independence and Security*

Maine Fuel Fund: Together We Can Stay Safe and Warm This Winter

Heating fuels are 45 percent more expensive than they were last fall. Last year, they were 35 percent more expensive than the prior year. The predictions are that we are in for a colder winter this year. And, high natural gas, oil, and electricity prices are not predicted to go away anytime soon.

To make sure all Maine people are safe and warm this winter, Governor John Baldacci has requested additional federal funds for the low income heating assistance program, but none have been appropriated to date. We cannot wait for the federal government to act, so Maine is taking action. The Governor has doubled the number of homes that will be winterized by volunteer teams this fall through Operation Keep ME Warm. Over 700 volunteer teams will fan out across the State and install efficient light bulbs, weatherstripping, caulking, pipe insulation, window treatments, and other weatherization measures in the homes of 3,000 of Maine's neediest citizens. These measures are projected to save each household approximately \$200 in energy costs this year alone.

The Governor has also initiated the Keep ME Warm Charitable Fuel Fund to supplement federal heating assistance funds. He has promised to request an additional \$5 million from the Legislature in January to add to this fund. These funds will be used to increase low income and emergency heating assistance. Donations can be made to the Keep ME Warm Fund online at www.mainecommunityaction.org or by sending a check to the fund at 510 Cumberland Ave, Portland, ME 04101.

The operator of the New England electric grid has warned that we face a credible risk of power shortages this winter because of natural gas shortages caused by the hurricanes that hit the Gulf Coast. The Energy Resources Council is developing a media campaign urging Maine people to conserve energy and use it more efficiently, and giving some simple tips on how to do so, to avert power outages. The Baldacci Administration is also working with the State's community action agencies and the municipal welfare directors to ensure that our most vulnerable citizens receive needed services as quickly as possible.

In the absence of federal help, Maine people must work closely together to get through what promises to be a challenging winter for many Maine people, especially for those living on fixed and limited incomes.



**Eric Bryant, Senior Counsel
& Editor of Electricity Guide**

Wind Power in Maine: Four Proposals in the Works!

○ this time next year there could be a wind farm in Maine, with the prospect of more to follow. What is a wind farm? Also called “utility scale wind”, a wind farm is several (or many) large wind turbines located in the same area, constructed for the purpose of providing electric supply to the power grid. It literally “harvests” electricity from the wind. Building a wind farm is very difficult and expensive, but once built, the “fuel” – wind – is free, unlike most other power plants. It also does not send pollutants into the air. With tax credits and other government incentives available, and with global climate change on the front page, there is currently much interest in this type of generation. Below is a brief description of the wind farms proposed in Maine.

Evergreen Wind: Mars Hill— A 40-50 MW project to be constructed on Mars Hill has received all necessary permits for construction. This project has a permit to install 33 turbines. Evergreen hopes to begin construction next year.

Website: <http://www.evergreenwindpower.com/projects.htm> (this site is somewhat out of date but contains useful information about the project).

Endless Energy: Reddington Pond— Endless Energy Corporation is developing a project in the Stratton area, near the Sugarloaf Ski area, that will have 30 wind turbines of 3MW each capable of supplying energy to 33,000 homes. They expect to file a permit application with the Maine Land Use Regulation Commission soon, and hope for completion of at least a portion of the project by the end of next year.

Website: <http://www.endlessenergy.com/>.

Linekin Bay: Northern Aroostook— In June, Linekin Bay Energy Company, LLC announced an ambitious plan to install 500 megawatts of wind turbines in Aroostook County by 2010. The project is divided into three phases. Phase I would see 100 MW built in the Hamlin area by the end of 2007; Phase II is for 150 MW to be built between Fort Kent and Frenchville by the end of 2008; Phase III, to be completed by the end of 2009, would install 250 MW between Fort Kent and New Canada. These are proposed locations only and may change as the project moves forward. There are many tests and permits ahead for this project.

Website: no website.

TransCanada: Kibby Mountain— TransCanada is in the very early stages of developing a 100-200 MW wind farm in the remote Kibby Mountain area, on the Canadian border roughly between Eustis and Jackman. TransCanada is currently studying wildlife and other possible environmental impacts. They hope to begin commercial operations by the end of 2008.

Website: <http://www.transcanada.com/> (this site does not yet contain information about this project but may in the future).

For more information on wind energy in general, the Iowa Wind Energy Manual is quite useful. It is on the web at: <http://www.energy.iastate.edu/renewable/wind/wem-ex.html>.



A typical grid scale wind tower is anywhere from 50 to 100 yards tall, with a similar rotor diameter. They do not spin as fast as you might think and developers say they make little noise other than a whooshing sound as the blades swoop through the air. Environmentally, they use no fossil fuels and emit no pollutants, but there is controversy about their appearance and whether they are harmful to birds.

Energy East and Emera

In the last five years both CMP and Bangor Hydro were purchased by out of state holding companies. Here is a brief glance at these companies and the affiliated companies in the holding company family.

Energy East

- Acquired CMP August 21, 2000.
- Corporate Headquarters is in Albany, New York.
- Website: <http://www.energyeast.com>.
- Corporate Worth: 2004 assets totaled \$10.8 billion and its total revenues were \$4.7 billion.
- Affiliates (information is for 2004 calendar year):

Name of Utility Affiliate	Location	Type of Business	Assets	Revenues
Berkshire Gas Company	Pittsfield, Massachusetts	Delivers Natural Gas	\$225 M	\$66 M
Connecticut Natural Gas Corporation	Hartford, Connecticut	Delivers Natural Gas	\$830 M	\$353 M
NYSEG	Binghamton, New York	Delivers Electricity and Natural Gas	\$3.7 B	\$434 M
Rochester Gas and Electric	Rochester, New York	Delivers Gas, Electricity, and Related Services	\$2.3 B	\$369 M
The Southern Connecticut Gas Company	Bridgeport, Connecticut	Delivers Natural Gas	\$1 B	\$341 M
Central Maine Power Company	Southern Maine	Delivers Electricity	\$1.8 B	\$569 M

Source: Energy East 2005 Annual Report

Emera

- Acquired BHE on October 10, 2001.
- Corporate Headquarters is located in Halifax, Nova Scotia.
- Website: www.emera.com.
- Corporate Worth: 2004 Assets were valued at \$3.04 billion and revenues were \$943 million.
- Affiliates (information is for 2004 calendar year – in US dollars using the average annual exchange rate of 1.2957%):

Name of Utility Affiliate	Location	Type of Business	Assets	Revenues
Nova Scotia Power	Halifax, Nova Scotia	Electric Utility Operation	\$2.3 B	\$720 M
Bangor Hydro	Bangor, Maine	Electricity Distribution	\$463 M	\$130 M
Maritimes & Northeast Pipeline (12.9% Interest)	Boston, MA	Natural Gas Pipeline	Investment:	Equity Earnings:
			\$67.9 M	\$4.7 M

Source: Emera personnel contacted by phone and email.

Who Pays For CMP's Promotions?

Many of us receive advertisements from our electric utility encouraging us to use more electricity. In the summer we all receive word telling us how cheap it is to cool with air conditioners and in the winter we are told that electric space heaters can keep us warm and toasty for next to nothing. (Be very wary of these ads since they always make it look as cheap as possible. Those "cents per day" add up to real money.) Less visibly, utilities also hire lobbyists who seek to influence legislators at the state and national levels. But, who pays for this promotion?

The answer is stockholders in these companies. Under a PUC Rule, Chapter 83, no "institutional" or "promotional" advertising costs may be passed along to ratepayers. Institutional advertising is aimed at promoting the utility's image. The idea is that if people feel good about the utility, there will be fewer complaints, a greater willingness to pay bills promptly and other "intangible" benefits to the company. This "goodwill" has value to the company, particularly at those times when a merger is under consideration. Promotional advertising encourages more electric usage. For example, if someone buys an air conditioner or a space heater, they'll buy more electricity. This increases the company's income. This also helps explain why a monopoly utility with captive customers would even want to advertise.

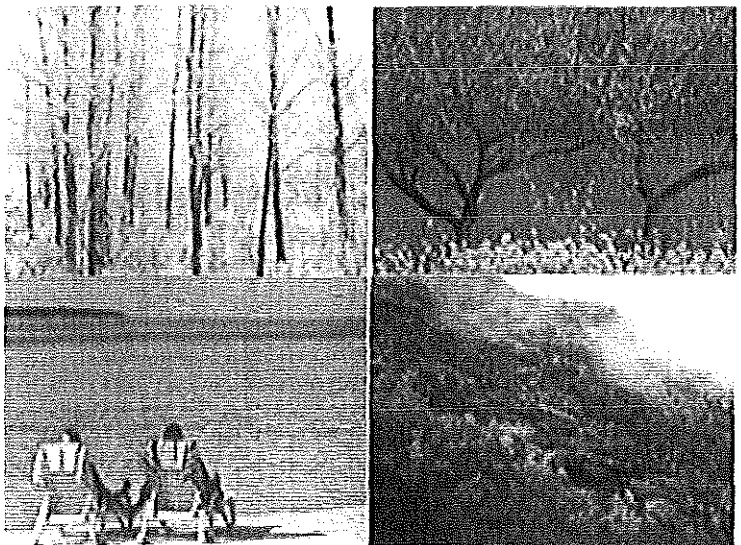
Safety advertising, on the other hand, is aimed at protecting customers, so the Rule allows the utility to charge ratepayers for such messages. Those memorable CMP ads telling us, "No line is safe to touch ... ever" were paid for by ratepayers.

In response to complaints by CMP customers about CMP's air conditioning ads, we tested this Rule. In June 2001, we asked The Public Utilities Commission to open an investigation into the advertising practices of CMP. We wanted to ensure that ratepayers were not being charged for CMP's air conditioning advertisements. CMP defended its practices, saying that the costs of these advertisements do not affect ratepayers, only stockholders because they fall into the category of "promotional advertising". In addition, CMP also filed a breakdown of their charges for the advertisement in question. These reports by CMP showed that they were in compliance with Chapter 83. So rest easy, because no matter how many advertisements CMP bombards you with concerning promotional or institutional advertising, you won't have to pay a penny — unless you buy the appliance!

Many thanks to Sarah Collins, our Summer Intern, who drafted this article. Sarah is a Senior at UMO.

Cold Weather Advisory

In the summer, when the New England grid reaches its peak usage, there are times when the various state governors, including our own, ask customers to cut back electricity usage in order to avoid the potential of blackouts. This winter, for the first time, a similar request may be coming. There is concern that with the hurricanes' effect on the production of natural gas, there may be a shortage of natural gas in the event of a long cold snap. If this occurs, because heating with gas is a priority, there may not be enough to run gas electric generators without some voluntary cutbacks. The likelihood of this happening is small, but entirely dependent on the weather.



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Line Extension Complaint. Last summer several ratepayers filed a complaint at the PUC about CMP's practices with respect to new line extensions (for a new home or business for example). The complaint made three broad allegations: CMP takes too long to perform its tasks; CMP treats those customers who choose to have a private contractor build the line unfairly; and CMP violates various price and trade practices relative to customers. It is unclear when this complaint will be resolved. If you have a similar complaint, you may be able to intervene in this case; at the least, you certainly can file your own complaint at the Commission. In either event, feel free to contact this office.

ABOUT THE PUBLIC ADVOCATE OFFICE

Stephen G. Ward, the Public Advocate, and his staff of seven represent Maine's telephone, electric, gas, and water customers before the Maine Public Utilities Commission, the courts, and federal agencies. Our mission is to work for reasonably priced, safe, and reliable utility services for Maine people. **Website:** <http://www.maine.gov/meopa> **(Telephone 287-2445)**
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